

**ORIGINAL**

**Proceeding to establish prices for  
BellSouth Telecommunications,  
Inc.'s Interconnection Services,  
Unbundled Network Elements and  
other related elements and services**

**Docket No. 2001-65-C**

**POSTED**  
6/4/01  
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**Testimony of  
David S. Lacoste  
Utilities Department**

**Public Service Commission of South Carolina**

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND A**  
2 **DESCRIPTION OF YOUR BACKGROUND.**

3 A. I am David Lacoste. I received a BS Degree in Electrical Engineering from  
4 the University of South Carolina in 1978 and am employed by the Public  
5 Service Commission of South Carolina as an Engineer (Associate) within the  
6 Commission's Utilities Department. I am responsible for inspections and  
7 audits concerning telecommunications service quality and am extensively  
8 involved in the review of certification applications, tariffs and interconnection  
9 agreements.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. My testimony's purpose is to offer exhibits concerning depreciation rates  
12 utilized by BellSouth as part of this UNE filing. I am specifically addressing  
13 testimony presented by BellSouth witness David Cunningham.

14 **Q. DOES THIS COMMISSION SET BELL SOUTH'S DEPRECIATION**  
15 **RATES?**

16 A. No. As a result of BellSouth's election of 'Alternative Regulation' (S.C. Code  
17 Ann. Section 58-9-576 (Supp. 2000)) the Commission does not set  
18 depreciation rates for BellSouth. I will comment that the Staff considers  
19 depreciation rates that are part of this filing to be among many factors to be  
20 considered in establishing UNE rates. This is not a depreciation filing.

21 **Q. HAVE YOU ANALYZED SERVICE LIVES OF THE VARIOUS PLANT**  
22 **ACCOUNTS?**

23 A. Yes. Exhibit I shows, in part, a comparison between BellSouth's Economic  
24 Projection Lives used in its current study and Projection Lives used in a 1992  
25 study. This Docket (92-227-C) was the last in-depth analysis undertaking by  
26 the Commission Staff in a depreciation rate case involving BellSouth. The  
27 'Big Dollar' accounts (Digital Switching, Circuit Equipment, Aerial,  
28 Underground & Buried Metallic Cable and Conduit) are highlighted for  
29 clarity. The comparison shows that BellSouth has decreased life expectations  
30 for its central office and most cable facilities. The decrease in service life from

1 25 years to 14 years for Underground Metallic Cable is rather dramatic. Also  
2 shown are Projection Lives (where available) used in the generation of  
3 depreciation rates for Alltel, Verizon and the FCC.

4 **Q. DO YOU HAVE CONCERNS WITH THE ACTUAL DEPRECIATION**  
5 **RATES USED BY BELL SOUTH IN CONJUNCTION WITH THIS**  
6 **FILING?**

7 A. No, I do not. My Exhibit II compares BellSouth's depreciation rates with rates  
8 currently in use by the four largest ILECs operating in the state (Verizon,  
9 Sprint / United, Alltel, and Horry Co-Op). This exhibit also shows rates  
10 approved by the FCC for interstate purposes. In my opinion, the BellSouth  
11 rates associated with the individual plant accounts are generally in line with  
12 the FCC and other carrier's rates. Based on year end 2000 annual report  
13 information filed with the Commission, BellSouth's overall reported  
14 composite of 6.8% is the lowest of the compared rates. I would like to point  
15 out that the Commission, in its previous order addressing UNE rates (DN 97-  
16 374-C), directed that depreciation rates approved in the 1992 Depreciation  
17 Rate case filing should be used as cost inputs.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A. Yes it does.

**SERVICE LIFE (YRS) COMPARISON**  
**UNE DOCKET NO. 2001-65-C**

**EXHIBIT I**

CATEGORY OF PLANT (Total BellSouth Investment %)	BELLSOUTH PROPOSED PROJECTION LIFE	BELLSOUTH LIFE UTILIZED IN DN 92- 227-C	FCC - INTERSTATE UTILIZED IN 1995 STUDY	VERIZON f/k/a GTE - LIFE UTILIZED IN DN 97-125-C	ALLTEL - LIFE UTILIZED IN DN 97-360-C
2112 - Motor Vehicles (.1%)	8	8.6			
2114 - Garage Work Equipment (.1%)	12	11.4	12		
2114 - Other Work Equipment (1%)	15	12.6	15		
2121 - Buildings (4%)	45	37	42		
2122 - Furniture (.1%)	15	10.7	12.5		
2123 - Office Support Equipment (.1%)	11.5	8.1	11.5		
2124 - General Purpose Computers (1%)	4.5	6.5	5.5		
2212 - Digital Switching Equipment (18%)	10	13.8	16	10	
2220 - Operator Systems (.2%)	10	11.2	10		
2232.1 - Digital Circuit Equipment (22%)	9	8.8	10.5	9	9
2232.1 - Digital Circuit Data Service Equipment (.2%)	8	8.3	6		
2232 - Analog Circuit Equipment (1%)	7.5		7		
2362 - Other Terminal Equipment (1%)	6	7	6		
2411 - Poles (1%)	36	27	35		
2421.1 - Aerial Cable (Metallic) (52%)	15	18.6	18	17	18
2421.2 - Aerial Cable - Fiber (.2%)	20	17.9	25	25	
2422.1 - Underground Cable Metallic (4%)	14	25	24	17	18
2422.2 Underground Cable (Fiber) (1.6%)	20	24	25	25	
2423.1 - Buried Cable - Metallic (30%)	15	18.5	18	17	18
2423.2 - Buried Cable - Fiber (3%)	20	20	25	25	
2426 - Intrabuilding Network Cable (.4%)	20	21	22		
2441 - Conduit Systems (4%)	55	58	60		

**DEPRECIATION RATE (%) COMPARISON**  
**UNE DOCKET NO. 2001-65-C**

**EXHIBIT II**

CATEGORY OF PLANT (Total BellSouth Investment %)	BELLSOUTH ~ 1.5M Access Lines	BELLSOUTH - Approved DN 92-227-C and Utilized in Present UNE Prices	VERIZON f/k/a GTE ~195 Access Lines	UNITD ~ 95,000 Access Lines	HORRY TELEPHONE ~ 94,000 Access Lines	ALL TEL ~ 62,000 Access Lines	FCC (Interstate - Effective 1/1/95)
2112 - Motor Vehicles (.1%)	10.3	5.7	12.1	11.7	16.3	9.4	12.6
2114 - Garage Work Equipment (.1%)	15.8	20.5	3.3			4.4	13.2
2114 - Other Work Equipment (1%)	7.1	6.8	6.8	10.0	10.0	4.4	7.1
2121 - Buildings (4%)	2.6	2.4	4.1	3.0	3.2	2.3	2.4
2122 - Furniture (.1%)	6.0	9.1	3.6	5.0	8.3	7.5	5.6
2123 - Office Support Equipment (.1%)	8.1	12.3	24.4	5.0	10.3	8.2	6.2
2124 - General Purpose Computers (1%)	18.7	20.5	31	15.0	18.1	23.1	16.1
2212 - Digital Switching Equipment (18%)	9.4	7.2	13	7.9	12.9	7.7	7.6
2220 - Operator Systems (.2%)	13.6	9.6	20.8				11.1
2232.1 - Digital Circuit Equipment (22%)	8.3	11.9	12.1	10.6	9.9	11.9	9.0
2232.1 - Digital Circuit Data Service Equipment (.2%)	10.9	13.7					20.1
2232 - Analog Circuit Equipment (1%)	2.3						19.6
2362 - Other Terminal Equipment (1%)	6.2	8.9	3.5	25.0			7.1
2411 - Poles (1%)	4.2	5.7	6.6	6.1	8.3	6.3	6.8
2421.1 - Aerial Cable (Metallic) (5%)	5.9	5.6	8.3	5.0	6.0	7.8	5.9
2421.2 - Aerial Cable - Fiber (.2%)	7.0	6.5	4.1	5.0	6.0	5.3	6.1
2422.1 - Underground Cable - Metallic (4%)	3.7	4.7	8.3	6.2	5.0	5.8	4.5
2422.2 Underground Cable (Fiber) (1.6%)	5.8	4.3	4.4	2.9	5.0	4.6	5.2
2423.1 - Buried Cable - Metallic (30%)	5.6	6.1	6.5	6.5	6.0	6.3	6.6
2423.2 - Buried Cable - Fiber (3%)	6.1	4.8	4.9	4.9	5.0	5.7	4.7
2426 - Intrabuilding Network Cable (.4%)	5.4	5.4	3.7	6.0			4.4
2441 - Conduit Systems (4%)	2.2	1.9	2.4	2.0	3.5	1.9	1.9
<b>Composite Rate (Y/E '00)</b>	<b>6.8</b>		<b>9.1</b>	<b>7.4</b>	<b>8.0</b>	<b>7.7</b>	

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